



Testimony of
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Executive Director & CEO
Connecticut Society of CPAs
Finance, Revenue & Bonding Committee
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Good morning, Senator Fonfara, Representative Scanlon, Senator Martin, Representative Cheeseman, and other distinguished members of the Finance, Revenue & Bonding Committee. My name is Bonnie Stewart. I am the Executive Director and CEO of the Connecticut Society of CPAs (CTCPA), Connecticut's leading professional CPA organization, with almost 6,000 members throughout the state.

I appreciate the opportunity to support HB 5010, An Act Restoring The Rate Of Credit Against The Affected Business Entity Tax, and request an additional change to the Business Entity Tax, more commonly referred to as the Pass-Through Entity (PTE) tax. Four years ago, Connecticut was the first state to help taxpayers navigate the federal state and local taxes (SALT) deduction cap. They did this by enacting a pass-through entity (PTE) tax. Unfortunately, legislators found themselves trying to identify new revenue sources the following year. The final revenue package included a tax increase on small employers, reducing 93.01% to 87.5% in the PTE tax credit rate.

Since Connecticut first adopted its PTE tax, much has changed. Twenty-two other states have adopted an *elective* PTE tax. Connecticut's fiscal situation has improved, and small businesses are under even more pressure with the pandemic. So, this is a good time HB 5010 would restore the original credit rate of 93.01%, bringing Connecticut more in line with other states with a PTE tax. This is because Connecticut currently has the lowest PTE tax credit in the nation. Of the twenty-two other states with PTE tax credits, all but one of those states allow for a FULL credit of the PTE tax paid. We urge you to adopt HB 5010 and restore the credit.

Another factor that makes Connecticut's PTE tax credit less desirable than other states is its mandatory nature. Connecticut is the only state that does not allow PTEs to elect to be taxed at the entity level. Although it was the first to enact a PTE tax to help taxpayers navigate the federal SALT deduction cap, Connecticut has not adjusted the PTE tax credit law positively since its adoption. As a result, our state remains the only state where the tax is mandatory. A reminder that even if the tax is elective instead of mandatory, taxes will still be paid on all of an entity's income. It's just paid through the personal income tax if someone chooses not to pay it through the PTE tax.

Please bring Connecticut's PTE tax law into line with those in all other states. Approve HB 5010. Restore the original PTE tax credit and add language to make the tax elective.

Thank you for your time.